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HONDURAS

PROGRAM FOR THE RESTORATION OF CLIMATE-RESILIENT FORESTS AND FORESTRY FOR SUSTAINABLE WATER-RELATED ECOSYSTEM SERVICES

(HO-L1200/HO-G1252)

LOAN PROPOSAL

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ABBREVIATIONS

CES	Compensation for environmental or ecosystem services
ESA	Environmental and social analysis
ESMP	Environmental and social management plan
GCF	Green Climate Fund
ICB	International competitive bidding
ICF	Instituto Nacional de Conservación y Desarrollo Forestal, Áreas Protegidas y Vida Silvestre (Honduras) [Honduran Institute of Forestry Conservation and Development, Protected Areas, and Wildlife]
IRR	Internal rate of return
NCB	National competitive bidding
NPV	Net present value
PMU	Program management unit
QCBS	Quality- and cost-based selection
SEFIN	Ministry of Finance
SWAT	Soil and Water Assessment Tool

PROGRAM SUMMARY

HONDURAS

PROGRAM FOR THE RESTORATION OF CLIMATE-RESILIENT FORESTS AND FORESTRY FOR SUSTAINABLE WATER-RELATED ECOSYSTEM SERVICES

(HO-L1200/HO-G1252)

Financial Terms and Conditions				
Borrower and beneficiary:			**Green Climate Fund (GCF)**[a]	
Republic of Honduras			**Amortization period:**[b]	40 years
Executing agency:			**Disbursement period:**	5 years
Ministry of Finance			**Grace period:**	10 years[c]
Source	**Amount (US$)**	**%**	**Interest rate:**	0.00 fixed
IDB loan (GCF)	10,737,349	31	**Commitment fee:**	0.50
			Service fee:[d]	0.25
IDB grant (GCF)	24,262,651	69	**Approval currency:**	U.S. dollar
Total:	35,000,000	100		

Program at a Glance
Program objective/description. The program's general objective is to help improve the climate resilience of forests in areas critical to the water supply. Its specific objectives are to: (i) restore forest cover; and (ii) strengthen governance and financial sustainability for adaptive forest management. The program will encourage the participation of women by incorporating a gender perspective into its activities.
Special contractual conditions precedent to the first disbursement. As a special contractual condition precedent to the first disbursement, the executing agency will submit, to the Bank's satisfaction, evidence that: (i) an interagency framework agreement between the executing agency and the Honduran Institute of Forestry Conservation and Development, Protected Areas, and Wildlife (ICF) for program execution and technical support has been signed and is in effect, in accordance with the terms and conditions previously agreed upon with the Bank; (ii) the key team members of the program management unit have been designated, namely: a program coordinator, a monitoring specialist, a financial specialist, a procurement specialist, and a technical liaison with the ICF; (iii) the program Operating Regulations have been approved and include an environmental and social management plan, in accordance with the terms previously agreed upon with the Bank; and (iv) memoranda of understanding with the program's participating entities—that will help make the environmental or ecosystem services compensation mechanism sustainable—have been prepared and presented, to the Bank's satisfaction (paragraph 3.2). The executing agency will also fulfill the special contractual conditions precedent to the first disbursement as set forth in Annex B of the environmental and social management report.
Special contractual condition for execution. Prior to disbursing the proceeds for Subcomponent II.2, the executing agency will submit evidence that the corresponding agreements have been signed between the Ministry of Finance, the ICF, and the local entities for the implementation of the CES mechanism for adaptive forest management, in accordance with the terms previously agreed upon with the Bank (paragraph 3.3).
Exceptions to Bank policies: None

Strategic Alignment						
Challenges:[e]	SI	☑	PI	☑	EI	☐
Crosscutting themes:[f]	GD	☑	CC	☑	IC	☑

[a] The loan and grant resources were approved by the GCF board of directors on 6 July 2019. The GCF resources will be used in accordance with the framework agreement signed by the GCF and the Bank on 29 August 2017, pursuant to Resolution DE-31/17 (document GN-2895), and with the activity management agreement for this program, which will be signed between the GCF and the Bank once the Bank's Board of Executive Directors approves this loan proposal. GCF resources will be available to the program once the activity management agreement is signed and has entered into effect.

[b] This period begins on the effective date of the loan contract. Payments will be made semiannually. The amortization payments and the service and commitment fees will be paid on the same date as the interest payments.

[c] These payments will be made in 40 installments and will begin on date of the first interest payment following the 10-year anniversary of the effective date of the loan contract.

[d] The GCF's service fee applies to loans financed with GCF resources. The service fee covers the cost of administering and mobilizing resources, and it is paid on the outstanding balance of the loan.

[e] SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration). The GCF's service fee covers the cost of managing and mobilizing resources, and it is paid on the outstanding balance of the loan.

[f] GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. Description and Results Monitoring

A. Background, problem addressed, and rationale

1.1 **General context and macroeconomic conditions**. Honduras has one of Latin America's most robust economies. Between 2010 and 2018, it posted average annual economic growth of 3.7%, which is comparable to other Central American countries and above the Latin American and Caribbean average (2%).[1] This growth has been driven mainly by investment, exports, and consumption. Fiscal consolidation efforts have cut the nonfinancial public sector's deficit from 7.5% of GDP in 2013 to 0.9% in 2018. The central government's public debt—at 48.5% of GDP in 2018, compared to 47.7% in 2017—has stabilized (Ministry of Finance, 2019).

1.2 **Significance.** Honduras is the Central American country with the most forest cover (Honduran government, 2014),[2] but it has decreased significantly (from 70% in 1990 to 40% in 2015), resulting in one of the world's fastest deforestation rates. About 45% of the country's forests have been lost since 1990 (Bunn et al., 2018). The forest is strategically important to the provision of ecosystem services,[3] particularly the water supply (Blackman, 2016).

1.3 **Climate vulnerability.** Honduras was the country most affected by extreme weather events between 1996 and 2015 (Kreft et al., 2017). This risk is exacerbated by deforestation and the loss of forest-related ecosystem services, which intensify extreme events such as flooding and drought (Suárez and Sánchez, 2012). In fact, Honduras declared a state of emergency in 2019 due to drought conditions in up to 100 municipios. The forest's importance in climate change adaptation and mitigation is such that Honduras has committed to restoring one million hectares of forest by 2030 as its nationally determined contribution.[4]

1.4 **Main challenges.** Forests in areas critical to the provision of ecosystem services in Honduras face the following challenges:

1.5 **Challenge 1. Forest cover.** Pests, wildfires, and land-use changes aimed at expanding farming and livestock-raising are among the leading causes of deforestation in Honduras (Honduran government, 2017). The bark beetle infestation between 2014 and 2016 was the leading cause of forest loss in this period, destroying 511,505 hectares (Institute of Forestry Conservation and Development, Protected Areas, and Wildlife (ICF), 2017), which is equivalent to 102 years of deforestation caused by humans. This infestation was exacerbated by the condition of the forests, since approximately three fourths of public and private forestland was already degraded prior to the outbreak (Billings, 2016).

1.6 Bark beetle is an endemic pest in Honduras. Outbreaks have been on the rise since the 1960s (Billings and Clark, 2010) and are expected to sharply increase in both frequency and intensity as a result of climate change (Kolb et al., 2016). Projections for 2018-2050 suggest that if forest degradation is not reversed, climate change will lead to a doubling of bark beetle outbreaks in central Honduras, which will see the greatest decreases in precipitation and the greatest increases in temperature. This will result in the loss of

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1 International Monetary Fund, World Economic Outlook, April 2019.

2 See references (optional link 3).

3 Ecosystem services are the benefits that nature provides to society.

4 This contribution to the Paris Agreement was submitted to the United Nations Framework Agreement on Climate Change.

84,000 hectares of pine forest due to the combined impact of the bark beetle outbreak and the change in land use in infested forestland toward agriculture (Hernández, 2019).

1.7 Forest degradation is one of the main reasons the recent infestation took such a heavy toll and is expected to continue to do so. Degradation is primarily due to a lack of adaptive forest management practices,[5] such as fire control and forest thinning (Navarro et al., 2016), as well as enrichment of forest species (Billings, 2016). Evidence indicates that the recent beetle bark outbreak might have been less severe if adaptive forest management practices had been used (Billings, 2016) and if local forest-management organizations had been provided technical assistance (Morales, 2016). Implementation of adaptive forest management practices is key to increasing forest resilience (Holmes et al., 2014)[6]—defined as the capacity to recover from disturbances (Bolte et al., 2010)—but is constrained in Honduras by a lack of resources and assistance to bring forestry practices in line with technical and economic criteria (Navarro et al., 2016). These constraints also have an adverse impact on investment decisions for restoring private forests recently infested by bark beetle, since economic activity in forestland is not profitable enough to cover restoration costs (Navarro et al., 2016). This contributes to a shift in usage of forest areas toward farming and ranching.

1.8 Meanwhile, evidence from the implementation of agroforestry systems[7] in Honduras indicates that such systems can help reduce deforestation related to land-use changes (Navarro et al., 2016) while significantly boosting production value (Bravo-Ureta et al., 2011). Agroforestry systems also have the potential to reduce the impacts of climate change (Van Noordwijk et al., 2011) and provide other significant environmental ecosystem services in watersheds (Gross et al, 2014). The literature indicates that these systems are effective in water regulation (Bharati et al., 2002; German Society for International Cooperation and Plan Trifinio, 2016) and carbon sequestration (López et al., 1999). Adoption of agroforestry systems, however, has been limited due to financial constraints on the ability to secure initial investment for such systems,[8] which usually take several years to generate a positive cash flow (Bremer et al., 2016). Technical assistance has also been shown to play a key role in promoting the use of agroforestry systems (Bravo-Ureta et al., 2011; Ríos and Pagiola, 2010).

1.9 The lack of resources and technical assistance for adaptive forest management practices and agroforestry systems is related to a lack of effective governance and financial sustainability for addressing current and future challenges posed by climate change for forest resilience and the sustainability of ecosystem services.

1.10 **Challenge 2. Governance and financial sustainability.** Rights to use forestland in Honduras depend on whether the land is publicly or privately owned and whether the government has designated the land for protection or production through legal instruments approved by the ICF as the sector's lead agency. In addition, the centralized process for forest-related policymaking is not conducive to local management of forest resources

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5 Adaptive forest management entails a variety of activities that contribute to and support the adaptation of forest ecosystems amid the impacts of climate change.

6 These impacts include changes in habitats and altitude ranges of forest species, increased magnitude and intensity of disturbances (e.g. wildfires, pest infestations, disease, drought, and flooding), and decreased ability to recover from such disturbances (Holmes et al., 2014).

7 Agroforestry systems entail land use combining trees with farmland and/or pastureland.

8 About 60% of residents in the target area are living in poverty or extreme poverty (optional link 6).

(Morales, 2016). Compensation for environmental or ecosystem services (CES)[9] can reduce deforestation and forest degradation in Honduras while promoting the use of forest resources (Vallejo Larios, 2011). Honduran law recognizes such mechanisms in the Forestry Act (Law 98-2007) and the General Law on Water (Law 181-2009), which allow their inclusion in utility payments. This mechanism, however, has only been used on a small scale and in isolated cases. Greater support and involvement from local organizations and municipal governments is needed, as is a continuous flow of resources for water funds to provide CES payments (Alvarado, 2008).

1.11 Water funds are one way to provide resources for CES[10] and have been widely used in Latin America[11] to finance the conservation and protection of key watersheds while providing long-term financial sustainability for such actions through CES mechanisms (Chafla and Cerón, 2016). According to the authors, water funds encourage public-private partnerships that allow for a continuous and autonomous flow of resources to fund CES mechanisms. Water funds are typically started with public sector resources and/or grants, and water users provide resources to the fund for actions to prevent the degradation of service-generating ecosystems. For example, the water fund of the city of Quito was started in late 1990 with US$21,000 and currently has US$12 million, with some US$2 million invested in conservation programs and projects (Chafla and Cerón, 2016). Services covered by water funds include water cycle regulation to ensure the availability of surface water throughout the dry season (Calvache et al., 2012). This availability was the most frequently identified objective in an analysis of 16 water funds in the region over the 2013-2014 period; these funds are focused on forest conservation, protection, and/or restoration (Bremer et al., 2016). Evidence suggests that improved forest cover helps replenish watersheds (Bonell, 1993; Lele, 2009) and that forest restoration helps increase water flows in the dry season (Chandler, 2006).[12]

1.12 **Background.** To address this problem in the context of the aforementioned obstacles (technical, financing, and sustainability issues), and to boost forest resilience in areas critical to the water supply, a project entitled Promoting Climate-resilient Forest Restoration and Silviculture for the Sustainability of Water-related Ecosystem Services (optional link 1) was prepared and submitted to the Green Climate Fund (GCF). This project entails a comprehensive range of actions, including those financed by the Sustainable Forest Management program (operation 3878/BL-HO) and GCF-financed actions (operations HO-L1200 and HO-G1252), which are included in this proposal, in order to pursue a paradigm shift in forest management from a reactive to a preventive approach using adaptive forest management actions and taking climate change into account. This adaptive forest management model entails (i) active participation by local communities and the private sector, and (ii) strengthening of governance and financial sustainability in the forestry sector.

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9 Compensation for environmental or ecosystem services is often referred to as “payment for environmental services” (Chafla and Cerón, 2016).

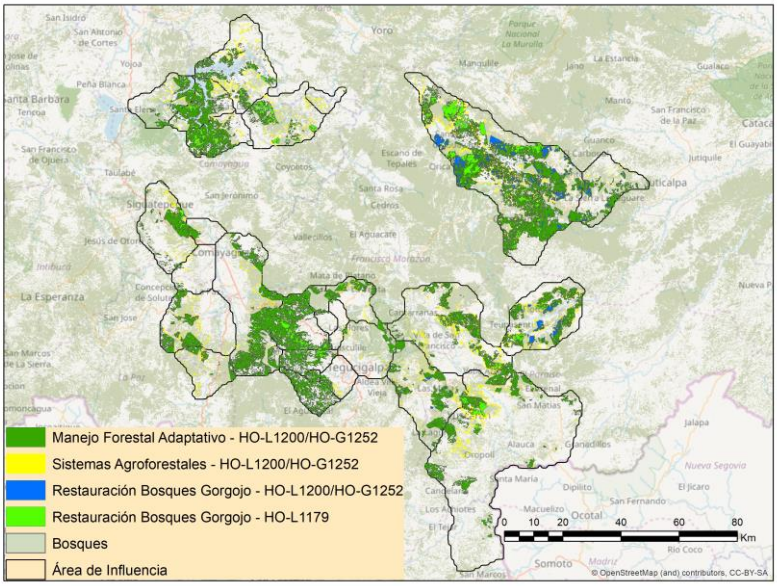
10 Water funds are entities that design and implement financial and governance mechanisms by engaging political, private, and civil-society stakeholders to support water security through solutions based on green infrastructure and sustainable watershed management (Grey and Sadoff, 2007). For a review of water funds, see Bremer et al., 2016.

11 As of 2019, Honduras has no water funds.

12 Various studies have confirmed the benefit of ecosystem services provided by pine forests in terms of water regulation, as they provide for water infiltration and availability during the dry season (see, for example, Hernández, 2016).

1.13 Operation 3878/BL-HO, approved in December 2016 and currently being executed by the Ministry of Finance (SEFIN), is focused on recovering and maintaining ecosystem services in pine forests affected by the bark beetle outbreak.[13] Its main actions are aimed at restoring infested forests (most of them publicly owned), strengthening the national forestry health system, and enhancing access to climate financing in order to promote forest management. This proposal will complement operation 3878/BL-HO. It will target the same areas, help restore additional hectares of privately owned pine forest, promote the adoption of agroforestry systems in forest-adjacent areas as a way of reducing pressure toward expansion of the agricultural frontier, and promote a mechanism for the long-term financing of CES for implementation of adaptive forest management practices (Figure 1). Forestland restored under operation 3878/BL-HO may be eligible for the long-term financing mechanism. In the context of this ongoing project, preparatory activities will be carried out in connection with the proposed program—e.g. developing incentives for the restoration of private forestland, and an initial diagnostic assessment of mechanisms to finance adaptive forest management practices in the target area. These preparatory activities will be strengthened with resources from the technical-cooperation operation Sustainable Agroforestry Management and Agroforestry in Critical Watersheds to the Water Supply in Honduras, currently in preparation. A similar execution mechanism will be used for both operations.

Figure 1. Geographic complementarity between this program and operation 3878/BL-HO



Source: Hernández (2019).

1.14 **Target area.** The target area spans the departments of Francisco Morazán, Comayagua, Choluteca, El Paraíso, Cortés, Yoro, and Olancho. Watersheds will be prioritized according to: (i) water generation or usage for human consumption, farming, and/or energy; and (ii) expected magnitude of negative impacts in terms of climate change, as these are projected to be the watersheds most affected in terms of water availability (see

[13] The current proposal and operation 3878/BL-HO were planned simultaneously. As of 25 September 2019, 26% of the latter's total proceeds had been disbursed, in accordance with its execution mechanism.

Figure 1). This area spans 564,832 hectares of forest cover (primarily pine forest), more than 40% of which is critical to the water supply; one fifth of this strategic forestland was infested by the recent bark beetle outbreak. The forest-adjacent area is under intense pressure for expansion of the agricultural frontier. An estimated 24,000 hectares of infested forest may undergo a land-use change in the absence of the proposed intervention (Hernández, 2019).

1.15 An analysis of the target area found a water deficit in the watersheds, especially in the January-May dry season, when agricultural demand for water goes unmet and water needs for human consumption are also in danger of going unmet (Hernández, 2019). This deficit is projected to increase under current management conditions and with the impact of climate change, thereby jeopardizing water security for most residents of central Honduras (optional link 1).

1.16 **Recent Bank experience.** The Environmental Program for Disaster Risk and Climate Change Management (operation 2415/BL-NI) provided economic incentives and technical assistance to partially cover the cost of adopting technological systems aimed at conservation, recovery, and restoration of natural resources in the upper regions of the Río Viejo and Apanás watersheds. The impact evaluation found that increasing production value and tree cover for beneficiaries is effective (González Flores and Le Pommellec, 2019). Key factors include: (i) promotion of technological packages to simultaneously fulfill criteria for environmental sustainability and economic viability; and (ii) technical assistance.

1.17 The Regional Platform for Water Resource Management (operation GRT/CF-12631-RG) financed the establishment of seven water funds in Brazil, Colombia, the Dominican Republic, Mexico, and Peru. This experience underscores the importance of: (i) promoting local involvement; (ii) conducting design studies that include a thorough analysis of the watershed and viable recommendations for conservation and financing, and (iii) supporting development of financial plans and watershed conservation/restoration plans (Garzón-López, 2017).

1.18 **Lessons learned.** This program takes into account lessons learned from operation 3878/BL-HO, and experience with similar operations, including Bank operations (2415/BL-NI, GRT/FM-12993-NI, GRT/CF-12631-RG) and non-Bank operations (Alvarado, 2008; Zavala, 2017). Table 1 lists these lessons and describes how they have been incorporated in this program.

Table 1. Lessons learned and considerations in the program's design

Lessons learned	Incorporation in program design
Target area - Identifying areas eligible for restoration activities is critical to execution.	- Eligible areas have been identified in designing the program.
Stakeholders - The involvement and participation of municipal governments, co-management organizations, and State agencies that manage forestland are essential to executing interventions and making them sustainable.	- These actors have been incorporated into the program, including dialogue and outreach during design.
Enabling conditions - Most local organizations lack legal status, which is a requirement for participation in the program.	- Activities to strengthen local organizations in order to attain legal status.
CES - Local CES experiences related to water services underscore the importance of: (i) targeting and performing a technical analysis; (ii) providing compensation to service providers; and (iii) strengthening local capacity.	- Program design includes targeting of the intervention, performance of a technical diagnostic assessment, direct payment to service providers, and provision of technical assistance to local organizations.
Water funds - The sustainability of water funds is promoted by involving key stakeholders, identifying strategic activities, establishing a governance and financing mechanism, and attaining legal status.	- Diagnostic pre-assessment of actors and conditions. - Outreach and dissemination activities with key stakeholders. - Technical assistance to support the establishment and maintenance of funds.
Sustainability - A comprehensive approach to forest management supports attainment of objectives and sustainability. - Promote mechanisms to help carry out activities after program completion.	- Comprehensive program approach, including diversity in terms of type of forest and type of landholding, as well as agroforestry systems in nearby areas. - Establishment and implementation of water funds as a financial mechanism for sustainable forest management.

1.19 **Intervention strategy.** The proposed program is supported by the evidence provided and aims to enhance the climate resilience of forests in areas critical to the water supply. This resilience is measured in terms of the ecosystem services these forests provide. Accordingly, the program will focus on forest restoration and on strengthening governance and financing for adaptive forest management practices, while specifically addressing market failures through the positive externality of forests—i.e. through the provision of forest-related ecosystem services. On the basis of operation 3878-BL-HO, and in order to enhance its scope and impact, the program incorporates lessons learned and good practices identified through experience in the country and the region (paragraphs 1.12 through 1.15), as summarized in Table 2.

Table 2. Summary of key considerations in the program's design

Mechanism
- Strengthening of local coordination and synergies; - Creation of a long-term financing mechanism for adaptive forest management; - Participation of the public and private sectors; and - Strengthening of local technical, financial, and governance capacity.

1.20 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy (document AB-3008) and is expected to contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through the development challenges of (i) productivity and innovation, by promoting resilience in the provision of forest-provided ecosystem services (paragraph 1.23); and (ii) social inclusion and equality, by working to ensure a sustainable water supply for the residents of central Honduras (paragraph 1.15). On both counts, the program will support the indicator of beneficiaries of improved management and sustainable use of natural capital. The program is also aligned with the crosscutting themes of (i) climate change and environmental sustainability, by promoting forest management and supporting the indicator of reduced greenhouse gas emissions; (ii) gender equality and diversity, by specifically addressing the participation of women and supporting the indicator of women beneficiaries of economic empowerment initiatives; and (iii) institutional capacity and rule of law, by focusing on the decentralization of forest resource management, thereby supporting the indicator of government agencies benefited by projects that strengthen managerial tools to improve public service delivery. The operation is aligned with the IDB Group Country Strategy with Honduras 2019-2022 (document GN-2944) in the priority area of expansion of sustainable production opportunities and the crosscutting theme of climate change adaptation, and with the strategic objective of expanding forest cover and forest resilience in Honduras. It will also contribute to the water and sanitation sector dialogue area, with interventions aimed at making water resources sustainable. It is also aligned with the Plan of the Alliance for Prosperity in the Northern Triangle by promoting strategic sectors and attracting investment, as well as enhancing the living environment with a focus on access to clean water. It is consistent with the Agriculture and Natural Resources Management Sector Framework Document (document GN-2709-5) and the Climate Change Sector Framework Document (document GN-2835-8), with a focus on the success dimensions of natural resource management and climate impacts in the sector, as well as on enhancing access to financing for climate actions. It is also included in the update to Annex II of the 2019 Operational Program Report (document GN-2948-2).

1.21 All of the operation's resources are expected to be invested in climate change mitigation and adaptation activities, in accordance with the joint methodology of the multilateral development banks for tracking climate change adaptation finance. These resources contribute to the IDB Group's target of increasing financing for climate change projects to 30% of all operation approvals by year-end 2020.

1.22 **Gender considerations.** Gender gaps are observed in forestry activities. Women's participation is limited, not only in a general sense but in terms of serving on boards and in access to technical assistance and financing. To address these considerations, the program includes actions to promote and strengthen the participation of women (see the gender action plan, which includes a diagnostic assessment, actions, and targets (optional link 6)). These actions include training, gender mainstreaming built into the design of program activities, and establishing specific targets for women's participation.

1.23 **Innovation.** The program promotes innovative forest management, including in matters related to approach and technology. The program's aim is to facilitate a paradigm shift in forest management, promoting a model characterized by (i) preventive guidance in view of climate resilience, and (ii) participation and empowerment of local stakeholders. Technological innovation entails the use of satellite imagery and artificial intelligence for monitoring and evaluation activities to be carried out using local capacity, which will be strengthened through training and technical assistance for this purpose (required link 2).

B. Objectives, components, and cost

1.24 The program's general objective is to help improve the climate resilience of forests in areas critical to the water supply. Its specific objectives are to: (i) restore forest cover; and (ii) strengthen governance and financial sustainability for adaptive forest management. The program will encourage the participation of women by incorporating a gender perspective into its activities.

1.25 **Component I. Restoration of forest cover (loan: US$10.74 million; grant: US$280,000).** This component will focus on restoring forestland infested with bark beetle and reducing pressure on expansion of the agricultural frontier. Accordingly, entities will be engaged to help implement the activities, and financing will also be provided for economic incentives or supplies for eligible beneficiaries, in accordance with the program Operating Regulations. Specifically, the activities include the following:

1.26 **Subcomponent I.1. Restoration of privately owned forestland infested by beetle bark (loan: US$2.89 million).** In areas prioritized for the provision of ecosystem services, support will be provided to private landowners, communities, and organizations in the form of technical assistance, inputs, and results-based economic incentives to partially cover costs in accordance with the restoration plan (estimated in view of the activities to be carried out on a specific area of land). This partial support will finance up to 80% of the total cost of the agreed upon restauration activities, with the balance to be provided in kind or in cash to the beneficiary. Restoration will be achieved through adaptive forest management activities such as reforestation, thinning, fire prevention and control, and enrichment of forest diversity. The entity contracted will, *inter alia*, identify beneficiaries, develop restoration plans (to be approved by the ICF), provide beneficiaries with training and technical assistance to help them plan and implement adaptive forest management activities, and verify the implementation of adaptive forest management activities in accordance with the restoration plan.

1.27 Beneficiaries: private landowners (individuals, communities, and organizations) in the target area that have pine forests infested with bark beetle and are responsible for forest protection. Detailed eligibility and prioritization criteria are set forth in the program Operating Regulations and include land tenure-related considerations (owners, occupiers, or users).

1.28 **Subcomponent I.2. Establishment of agroforestry systems in degraded areas in close proximity to areas under restoration (loan: US$7.85 million; grant: US$280,000).** This subcomponent will provide technical assistance and partial support with supplies for implementation of the agroforestry systems identified by the program. The agroforestry systems will be identified taking into account local conditions, landholding status, technical and economic viability, and contribution to the restoration of degraded lands, including support for climate change adaptation and/or mitigation. The entity contracted will, at a minimum, identify target areas and beneficiaries, provide them with training and technical support, and verify the establishment of agroforestry systems.

1.29 Beneficiaries: individual and collective landowners in the target area, with farmland established prior to the 2013 bark beetle outbreak. The target areas will be selected near the forests prioritized for the provision of ecosystem services to be restored under Subcomponent I.1, as well as forests restored under operation 3878/BL-HO and areas where adaptive forest management activities will be carried out as part of Subcomponent II.2. Detailed eligibility and prioritization criteria are provided in the program Operating Regulations.

1.30 **Component II. Strengthening governance and financial sustainability for adaptive forest management activities (grant: US$22.84 million).** This component will develop and implement local financing mechanisms for forest resource management. Accordingly, it calls for hiring entities to help carry out activities, while providing financing for equipment and transfers to eligible beneficiaries with whom agreements will be signed.

1.31 **Subcomponent II.1. Establishment of enabling conditions and strengthening of local capacity (grant: US$5.34 million).** This subcomponent will provide financing for:

a. **Enabling conditions.** Support through technical assistance and consultants to formalize governance structures (including organizational, operational, administrative, and financial considerations) for: (i) watershed management; (ii) development of planning instruments for forest management in watersheds; (iii) training for municipal governments, entities, and local organizations in adaptive forest management and financial matters, among others; and (iv) monitoring of fulfillment of adaptive forest management activities related to the implementation of CES (paragraph (b)).

b. **Strengthening CES mechanisms for adaptive forest management.** Development of instruments for the operation and maintenance of CES mechanisms,[14] including provision of technical assistance and equipment for implementation and operation.

1.32 **Subcomponent II.2. Implementation of CES for adaptive forest management practices (grant: US$17.5 million).** Using approved forest management instruments (Subcomponent II.1) and annual work plans, monetary transfers will be made to CES mechanisms consisting of local entities or a water fund. These transfers will partially finance adaptive forest management practices through a CES mechanism to private landowners, municipalities, local organizations, and State institutions, *inter alia*. The adaptive forest management activities to be financed include forest thinning, fire prevention and control, and forest enrichment with non-pine species. These activities will be monitored to ensure implementation before subsequent transfers are made. In the initials years of the program, transfers will be made to local entities, which can then create a water fund that will be supported by the program. A water fund is defined as a fund created in an organization with specific governance and financing structures for the long-term operation of the CES mechanism.

1.33 The amount of a monetary transfer will be determined based on the size of the forest in question, the number of beneficiaries of the water resource, and the contribution provided by the beneficiaries. Transfers will be commensurate with the fulfillment of progressive targets for the contribution (in cash or in kind) to the CSA mechanism by the beneficiaries of ecosystem services. These targets will serve as the basis for achieving sustainability.

1.34 Beneficiaries of Component II: Private landowners, municipal governments, local organizations, and State institutions, *inter alia*, in the intervention area who will receive

[14] Addresses governance, financial, technical, and operational considerations.

CES for adaptive forest management. Transfers under Subcomponent II.2 will be made to local entities with which an agreement has been signed. Detailed eligibility and prioritization criteria are set forth in the program Operating Regulations.

1.35 **Other costs (grant: US$1.14 million).** These include monitoring, administration, evaluation, and auditing costs.

1.36 **Community and private stakeholder participation.** Investments will focus on water-supplying forests, particularly in the groundwater recharge areas. Many of these forests are located in areas protected as water-supplying microwatersheds. Efforts will be made in each instance to ensure that the communities residing in the forests are engaged in management and restoration activities, in accordance with the provisions of Honduras's Forestry Act related to the concept of a forest-based social system. The opinions of people living near the forest will be taken into account, and dialogue between residents will be promoted; this will contribute to the program's sustainability. Whenever possible, and in consultation with the communities, the program will promote private-sector involvement in supporting restoration activities, the economic use of productive forestland, and the sale of non-timber products, such as resin.

1.37 **Dissemination plan.** The program includes a dissemination plan at multiple levels (national, regional, and municipal) that includes the participation of the public and private sectors, local organizations, academia, and communities. The aim is to engage all stakeholders by disseminating the program and its objectives, proposed activities, and eligibility criteria. Those interested in benefiting from the program will receive technical support to submit documentation demonstrating that they meet the eligibility criteria.

1.38 **Sustainability.** The sustainability of the interventions will be strengthened in four ways: (i) engaging and strengthening local actors; (ii) scaling and/or strengthening ongoing initiatives and activities associated with conservation and enhancement of ecosystem services; (iii) engaging the private sector; and (iv) using a long-term CES mechanism whereby users of water resources contribute to financing for adaptive forest management activities.

C. Key results indicators

1.39 The direct beneficiaries of the program are expected to be 27,000 families that will participate in restoration, agroforestry systems, or adaptive forest management activities. The expected impacts are focused on the provision of ecosystem services for forests as a proxy for resilience (Hof et al., 2017), specifically through the increased availability of surface water in the dry season and reduced greenhouse gas emissions. Agricultural income will also be increased through implementation of agroforestry systems, which will help reduce the pressure for land-use changes and increase forest cover. The expected outcomes are (i) enhanced forest cover for beneficiaries of agroforestry systems and increased optimal density in privately owned forests; and (ii) enhanced financial sustainability for adaptive forest management activities, as a result of increasing the percentage of the local contribution and the number of institutions participating in these CES-financing mechanisms for adaptive forest management activities. The key impact indicators are listed in Table 3.

Table 3. Results matrix impact indicators

Impact indicator	Measurement intervals	Rationale for selection
Average availability of surface water in the dry season as a result of increased forest restoration (cubic meters)	Baseline and impact evaluation	Measures forest resilience in terms of provision of ecosystem water service as a result of restoration activities
Average availability of surface water in the dry season through adaptive forest management activities (cubic meters)	Baseline and impact evaluation	Measures forest resilience in terms of provision of ecosystem water service as a result of adaptive forest management activities.
Greenhouse gas emissions as a result of restoration of forest sequestration (millions of tons of CO_2 equivalent)	Baseline and impact evaluation	Measures forest resilience in terms of provision of the ecosystem service of carbon sequestration as a result of restoration activities
Greenhouse gas emissions prevented as a result of adaptive forest management (millions of tons of CO_2 equivalent)	Baseline and impact evaluation	Measures forest resilience in terms of provision of the ecosystem service of preventing emissions caused by deforestation and degradation as a result of adaptive forest management activities
Increase in annual agricultural income as a result of the adoption of agroforestry systems	Impact evaluation	Measures forest resilience in terms of reduced pressure for land-use change and by increasing forest cover

II. Financing Structure and Main Risks

A. Financing instruments

2.1 The program is structured as a specific investment (loan portion) and investment grant (grant portion). The total cost of the program is US$35 million, of which 69% will be financed with nonreimbursable resources from a GCF grant. Table 4 provides a breakdown of the costs by component.

Table 4. Estimated program costs (US$)

Component	HO-L1200	HO-G1252	Total	%
Component I. Restoration of forest cover	**10,737,349**	**280,651**	**11,018,000**	**32**
Subcomponent I.1. Restoration of privately owned pine forestland infested by bark beetle	2,887,364	0	2,887,364	9
Subcomponent I.2. Establishment of agroforestry systems in degraded areas in close proximity to areas under restoration	7,849,985	280,651	8,130,636	23
Component II. Strengthening governance and financial sustainability for adaptive forest management activities	**0**	**22,840,000**	**22,840,000**	**65**
Subcomponent II.1. Establishment of enabling conditions and strengthening of local capacity	0	5,340,000	5,340,000	15
Subcomponent II.2. Implementation of CES mechanisms for adaptive forest management activities	0	17,500,000	17,500,000	50
Other costs (administration, monitoring, evaluation, and auditing)	**0**	**1,142,000**	**1,142,000**	**3**
Total	**10,737,349**	**24,262,651**	**35,000,000**	**100**
Percentage	30.61	69.39	100.00	

2.2 The disbursement period will be five years. See Table 5 for detailed preliminary information on disbursements.

Table 5. Disbursement timetable (millions of US$)

Year	2020	2021	2022	2023	2024	TOTAL
Amount	1.36	5.52	9.34	8.78	10	35
Percentage	4	16	27	25	28	100

2.3 **Economic viability.** The program's ex ante economic evaluation looked at the benefits stemming from: (i) carbon sequestration attributable to restoration and averted deforestation associated with adaptive forest management activities; (ii) increased water supply as a result of restoration and averted deforestation associated with adaptive forest management activities; (iii) costs averted as a result of decreased sedimentation in reservoirs; and (iv) increased income projections for beneficiaries of agroforestry systems. The evaluation horizon is 25 years for a forest growth-based project, at a 12% discount rate. A base scenario was evaluated using assumptions on prices of water, carbon, and forestry goods, as well as the cost of sedimentation and expected income as a result of the adoption of agroforestry systems both with and without the program. Using these criteria and the cost of activities to be financed, the analysis yielded an estimated net present value (NPV) of US$74.4 million and an internal rate of return (IRR) of 45.7%. The sensitivity analysis yielded positive NPVs and IRRs above 12%. Thus, the ex ante evaluation found the program to be economically viable, both at the component level and as a whole (optional link 2).

B. Environmental and social risks

2.4 The program has been classified as a category "B" operation in accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Its activities will not entail significant adverse impacts on people or the environment. Impacts are expected to be low to moderate and can be easily managed with standard mitigation measures or plans for projects of this type.

2.5 In accordance with Operational Policy OP-703, Directive B.5 on social and environmental evaluation requirements, an environmental and social analysis (ESA) and an environmental and social management plan (ESMP) were prepared during the operation's preparation phase. The ESA also includes a social and cultural analysis of the indigenous communities in the program target area. An environmental and social management framework was also prepared by the during the GCF's due diligence process for the operation. The potential impacts evaluated in the ESA include restricted access to natural resources, impacts on indigenous peoples, gender-based exclusion, exclusion of small-scale landowners, use of hazardous materials, impacts on biodiversity, natural disaster risk, and land-use change. The program's activities will not necessitate involuntary resettlement. The publishable versions of the ESA and ESMP were made available to the public on the Bank's website prior to the analysis mission. The ESMP will be an annex to the program Operating Regulations; both documents set forth environmental and social requirements to ensure that the program complies with the Bank's safeguards and the conditions set forth in Annex B of the Environmental and Social Management Report.

2.6 As part of program preparation, between May and August 2019: (i) four public consultation events were held in the departments of Olancho, Choluteca, and El Paraíso; and (ii) a socially and culturally appropriate consultation process was carried out, and authorization

was secured to implement the program in the six Tolupán communities located in the program's target area. The main concerns raised in the consultations included information about program activities and the support to be provided in that regard (see the environmental and social management report for details). These consultation reports are included in the final versions of the ESA and ESMP, which have been posted on the Bank's website.

C. Fiduciary risks

2.7 Program timelines may be impacted by difficulties in preparing terms of reference for specialized activities and in the technical and fiduciary strategy between and within institutions. This has been identified as a medium-high risk. These risks will be mitigated by: (i) hiring consultants with experience in the specific subject matter and in execution using the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9); (ii) reviewing the liaison protocols between the program management unit (PMU) and the ICF for preparing and approving technical documents, as well as the approval processes for procurement items and the signing of contracts; and (iii) implementation of a monitoring system to include procurement planning for the program using the procurement plan execution system agreed upon with the Bank or, when appropriate, the system in effect at the time (see Annex III).

D. Other risks and key issues

2.8 **Development risks.** Difficulties in empowering local actors and potential delays in program activities were identified as medium-level risks. To mitigate the first risk, training will be provided to local organizations and municipal governments, partnerships will be promoted in a centralized manner to strengthen local entities, and a communication strategy will be developed and implemented. To mitigate the second risk, (i) mechanisms will be identified and proposed for the decentralization of the instrument approval process; (ii) workflows and timelines for technical and financial activities will be established; and (iii) SEFIN and the ICF will be strengthened technically and operationally for execution of program components.

III. Implementation and Management Plan

A. Summary of implementation arrangements

3.1 SEFIN, acting through the PMU, will be responsible for program execution, whereas the ICF will be responsible for the related technical matters. The PMU will be responsible for program management, and for fiduciary and administrative matters. The ICF, as the lead agency in the sector, will approve the restoration plans and/or forest management instruments, monitor and verify the fulfillment of agreed activities prior to authorization of incentives, transfers, and/or payments on the basis of documentation submitted by the hired support entities, *inter alia*. To this end, an interagency framework agreement setting forth the duties of each party during the program will be signed between SEFIN and the ICF.

3.2 **As a special contractual condition precedent to the first disbursement, the executing agency will submit, to the Bank's satisfaction, evidence that: (i) an interagency framework agreement between the executing agency and the ICF for program execution and technical support has been signed and is in effect, in accordance with the terms and conditions previously agreed upon with the Bank;**

(ii) the key team members of the program management unit have been designated, namely: a program coordinator, a monitoring specialist, a financial specialist, a procurement specialist, and a technical liaison with the ICF; (iii) the program Operating Regulations have been approved and include an environmental and social management plan, in accordance with the terms previously agreed upon with the Bank; and (iv) memoranda of understanding with the program's participating entities—that will help make the Environmental or Ecosystem Services Compensation mechanism sustainable—have been prepared and presented, to the Bank's satisfaction. This condition is aimed at ensuring that: guidelines and procedures are established; the appropriate technical team is in place; and local commitment is secured for the program's successful execution.

3.3 As a special contractual condition for execution, prior to disbursing the proceeds for Subcomponent II.2, the executing agency will submit evidence that the corresponding agreements have been signed between the Ministry of Finance, the ICF, and the local entities for the implementation of the CES mechanism for adaptive forest management, in accordance with the terms previously agreed upon with the Bank.

3.4 In the memoranda of understanding, the national and local entities participating in the CES mechanism will state the amounts that they would be willing to provide (in cash and in kind) over the program's five years. These memoranda are issued by: (i) the ICF, detailing the arrangement for working with the parties, indicating the in-kind contribution they are to provide for restoration, agroforestry system, and adaptive forest management activities (assessed at US$8.75 million); (ii) SEFIN, stating that the contribution to be made through budgetary allocations for forest development and wildlife conservation is estimated at US$3.5 million; and (iii) municipios and other beneficiaries of the ecosystem services for water regulation (such as power, water, or irrigation companies) in the program's target area, estimated at a minimum of US$5.25 million.

3.5 On the basis of lessons learned from operation 3878/BL-HO, in which local organizations had difficulty attaining legal status, transfers will be made to local entities (municipal governments or organizations with legal status) in the initial years of the program while CES mechanisms are legally established. Local organizations will be supported by the program to this end.

3.6 **Procurement of works, goods, nonconsulting services, and consulting services.** Procurement processes financed in full or in part with Bank resources will be carried out in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9). The procurement plan (required link 4) contains detailed information on the program's procurement activities and the Bank's procedures for the review of such procurement.

3.7 The fiduciary agreements and requirements (Annex III) set forth the financial and planning management framework, as well as the framework for procurement supervision and execution. The main financial management instruments will be the national systems for treasury, budgeting, accounting, and reporting through the SIAFI/UEPEX financial management system. The executing unit will also be strengthened with additional personnel to address the increased demand in the program's processes for financial management and operational and financial planning. Policies, procedures, and systems will be governed by the Financial Management Guidelines for IDB-financed Projects (OP-273-12) and related directives.

3.8 **Disbursements.** Disbursements will be provided in the form of advance payments based on actual liquidity needs. These advances will preferably be made every six months, after at least 70% of the previously advanced amount has been accounted for. The use of reporting and financial planning forms will be required. Documentation will be subject to ex post review. This 70% figure is based on the complexity of the operation, which entails coordination and execution through two institutions, as was the case in operation 3878/BL-HO.

3.9 **Auditing.** The PMU will submit the program's audited financial statements to the Bank on an annual basis during the program, in accordance with the terms required by the Bank. The audited financial statements will be submitted within 120 days of the end of the fiscal year, and the final statement will be submitted within 120 days after the last disbursement.

3.10 **Implementation and management plan.** The program will be governed by the Operating Regulations, which set forth policies and procedures related to activity programming, eligibility criteria, administrative and financial management, procurement, auditing, monitoring, and evaluation. The program Operating Regulations will include the minimum arrangements required for the signing of agreements between the executing agency and beneficiaries for restoration, agroforestry systems, and adaptive forest management activities. These agreements will include a detailed description of the duties and obligations of each party and will identify liaisons.

B. Summary of arrangements for monitoring results

3.11 The PMU, in coordination with the ICF, will prepare and submit semiannual progress reports within 60 days after the end of each six-month period during the program. These reports will indicate physical and financial progress on indicators and activities set forth in the results framework, the annual work plan (required link 1), and the procurement plan by examining the problems encountered and stating corrective measures. The monitoring reports for the second half of the year will include the annual work plan for the following year, the updated procurement plan, and information on fulfillment of the environmental and social requirements set forth in the ESMP.

3.12 The PMU, in coordination with the ICF, will also submit two evaluation reports: (i) a midterm report within 90 days after 50% of the loan proceeds have been committed or 50% of the execution period has transpired, whichever occurs first; and (ii) a final report within 90 days after 95% of program resources have been disbursed. These reports, to be prepared independently and financed by the loan, will include: (i) financial execution by subcomponent and source of financing; (ii) progress in attaining the outputs, outcomes, and impacts set out in the results matrix; (iii) fulfillment of the ESMP; and (iv) summary of financial statements, procurement processes, disbursements, and internal control.

3.13 The monitoring and evaluation plan (required link 2), which was agreed upon with SEFIN and included in the budget, includes detailed information on indicators and means of verification, critical path for activities and outputs, monitoring instruments, responsible parties, and methodology and budget for implementing the plan.

C. Impact evaluation

3.14 A quasi-experimental impact evaluation will be carried out to estimate the difference-in-difference of targeted and control areas between the base year and year 5 of the program for the following impact indicators: (i) increased availability of surface water in the dry season as a result of forest restoration, by directly measuring water flows in targeted and control microwatersheds with biophysical conditions similar to those at the outset of the

project; (ii) reduced greenhouse gas emissions attributable to forest restoration, using primary data on forest inventories and permanent sample parcels of land that are consistent for calibration of a carbon stock model based on satellite imagery; (iii) increased availability of surface water in the dry season as a result of adaptive forest management activities, by estimating the amount of deforestation averted in treated versus control areas, calculating hydrological parameters, and using the Soil and Water Assessment Tool (SWAT) for modeling; and (iv) reduced greenhouse gas emissions as a result of adaptive forest management activities by using the estimate of averted deforestation.

Development Effectiveness Matrix		
Summary HO-L1200 HO-G1252		
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Reduction of emissions with support of IDBG financing (annual million tons CO2 e)* -Beneficiaries of improved management and sustainable use of natural capital (#)* -Women beneficiaries of economic empowerment initiatives (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)*	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2944	Actions that promote adaptation to climate change
Country Program Results Matrix	GN-2948-2	The intervention is included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	8.9	
3.1 Program Diagnosis	2.4	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	2.5	
4. Ex ante Economic Analysis	9.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	1.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	0.0	
5. Monitoring and Evaluation	8.7	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	6.2	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	B	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Assistance to prepare and submit the GCF proposal

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The overall objective of the program is to contribute to improving the climate resilience of forests located in critical areas for water provision. The specific objectives are: (i) restore forest cover; and (ii) strengthen governance and financial sustainability for adaptive forest management (MFA). The motivation of the proposed project is related to the destruction and poor management of forests and the associated loss of eco-systemic services, in particular hydrological regularization in key sub-basins for water supply. The diagnosis regarding the causes of the problem is generally well developed, although there is room to improve the characterization of the potential beneficiaries of the adoption of agroforestry systems (SAF).

The results matrix articulates the vertical logic of the program and includes SMART indicators at the level of impact, of results associated with the specific objectives of the program, and of the product.

The economic analysis includes a valuation of the possible benefits derived from: (i) carbon sequestration by restoration and avoided deforestation due to MFA; (ii) increased water provision due to restoration and avoided deforestation due to MFA; (iii) costs avoided by lower sedimentation in reservoirs; and (iv) higher expected income of SAF beneficiaries.

The Monitoring and Evaluation Plan meets the requirements. Quasi-experimental methods will be used to attribute the change in impact indicators and outcomes to program interventions.

RESULTS MATRIX

Program objective:	The program's general objective is to help improve the climate resilience of forests in areas critical to the water supply. Its specific objectives are to: (i) restore forest cover; and (ii) strengthen governance and financial sustainability for adaptive forest management. The program will encourage the participation of women by incorporating a gender perspective into its activities.

EXPECTED IMPACT

Indicator	Unit of measurement	Baseline	Base year	Final target	Means of verification	Comments
IMPACT 1: Improved availability of groundwater in the dry season						
Increased average availability of surface water in the dry season attributable to forest restoration	Cubic meter	0	2019	435,592	Baseline report and impact evaluation	Surface water includes direct surface runoff, lateral subsurface flow, and baseflow. Steps for measuring it: (a) water flows in targeted and control microwatersheds are directly measured (without randomization and based on the availability of watersheds with biophysical conditions similar to those at the program's outset, but without regard for power); and (b) the values obtained using the Soil Water Assessment Tool (SWAT) are extrapolated to the entire target area (for methodology, see the monitoring and evaluation plan in required link 2). The provisional baseline was obtained using a SWAT-based simulation and recovery curves for hydrological parameters. Values will be updated as soon as statisticians at gauging stations in the field are available to calibrate the model. Contributes to the development challenge of productivity and innovation through the indicator of beneficiaries of improved management and sustainable use of natural capital.
Increased average availability of surface water in the dry season attributable to adaptive forest management	Cubic meter	0	2019	67,185	Baseline report and impact evaluation	Surface water includes direct surface runoff, lateral subsurface flow, and baseflow. Steps for measuring it: (a) estimate averted deforestation (difference-in-difference) in the treated area versus a nearby control area with similar biophysical conditions; and (b) determine hydrological parameters in forest areas and deforested areas in a parameterized watershed with a more than 20-year flow in the program's intervention area; and

Indicator	Unit of measurement	Baseline	Base year	Final target	Means of verification	Comments
						(c) use these parameters to model the benefit of deforestation averted with SWAT for the entire target area. Direct flow measurements in targeted and control microwatersheds. Interpretation of satellite images for mapping cover and changes in ground cover to make inferences between program-restored areas and areas undergoing natural regeneration without the program. The provisional baseline was obtained using the SWAT, complemented by referential data from the central subwatershed with historical data on changes in cover and flow behavior. Values will be updated as soon as statisticians at gauging stations in the field are available to calibrate the model. Contributes to the development challenge of productivity and innovation through the indicator of beneficiaries of improved management and sustainable use of natural capital.
Greenhouse gas emissions averted as a result of restoration of sequestered forests	Ton of CO_2 equivalent	0	2019	109,534	Baseline report and impact evaluation	Use of primary data from forest inventories and consistent permanent sample parcels for calibration of carbon stock using satellite imagery. Additional samples are obtained to replenish forest inventories and permanent sample parcels. (See methodology in the monitoring and evaluation plan.) Emissions sequestered as a result of active vegetation growth.
Greenhouse gas emissions averted as a result of adaptive forest management practices	Ton of CO_2 equivalent	0	2019	135,591	Baseline report and impact evaluation	Averted emissions are primarily related to reduced deforestation and degradation. Values will be updated once the baseline is available to calibrate the model. Contributes to the crosscutting theme of climate change through the indicator of reduced greenhouse gas emissions.

Indicator	Unit of measurement	Baseline	Base year	Final target	Means of verification	Comments
IMPACT 3: Increase in agricultural income						
Increase in annual agricultural income attributable to adopting agroforestry systems	US$ per year	609	2019	670	Impact evaluation	Measured per beneficiary household. The target is based on 40% of the average increase in productivity (US$ per hectare) from the impact evaluation of the Environmental Program for Disaster Risk and Climate Change Management in Nicaragua, which is equivalent to a 10% impact on base year income. The base value has been taken from the 2016 National Multipurpose Survey of the monthly income of self-employed farmers across the country. Values will be updated once the technological packages for promoting agroforestry systems are selected.

EXPECTED OUTCOMES

Indicator	Unit of measurement	Baseline	Base year	Final target	Means of verification	Comments
OBJECTIVE 1: Restore the forest cover						
Outcome 1.1. Improved forest cover						
Deforestation averted as a result of adaptive forest management	Hectare	0	2019	904	Impact evaluation	The adaptive forest management intervention is expected to have similar effects to those seen in the National Network of Protected Areas of Honduras (SINAPH). The historical differential in deforestation between SINAPH and non-SINAPH areas (0.24% – 0.08% = 0.16% per year) is applied to the target area to be treated in only three of the five years, since the startup of activities is assumed to take two years.
Ratio (expressed as percentage) of number of hectares with wildfires to total number of hectares of forestland as a result of the program's intervention	Percentage	4.5%	2019	3.1%	Impact evaluation	The average from 2016-2018 is used as the base value, and the final target is a 30% decrease in this percentage in the period 2023-2025. The area used to estimate this percentage is the target area identified in the proposal for the Green Climate Fund (GCF) and will eventually be adjusted if any changes are made to the target area. This percentage is based on evidence of up to a 60% decrease in the incidence of wildfires after treating 20% of the forest (Finney Mark, 2001)[1] and using a conservative target of 30%. Areas with annual wildfires were measured using MODIS satellite data (algorithm applied with 25-hectare

[1] Finney, M. A. (2001). Design of regular landscape fuel treatment patterns for modifying fire growth and behavior. *Forest Science*, 47(2), 219-228.

						pixels). The methodology may be applied to all forestland in Honduras, including treatment and control areas.
Hectares of privately owned forest with optimal density as a result of the program	Hectare	0	2019	8,531	Monitoring system	Average density of between 1,200 and 1,500 trees per hectare. Range between optimal values for bark beetle control and for water infiltration. Based on 80% of total hectares of restored privately owned pine forest. There is evidence that managing density makes forests less susceptible to bark beetle (Billings et al., 2004)[2] and increases water regulation service (Ilstedt et al., 2016).[3]
Households implementing agroforestry systems as a result of the program	Household	0	2019	6,000	Monitoring system	Systems implemented for at least a year in beneficiary households are counted. Beneficiaries provide counterpart funding (in cash and/or in kind) for the agroforestry systems. Values will be updated once the agroforestry systems are determined.
OBJECTIVE 2. Strengthening governance and financial sustainability for adaptive forest management						
Outcome 2.1. Strengthening of governance structures						
Entities participating in governance structures for compensation for environmental or ecosystem services (CES) mechanisms as a result of implementing adaptive forest management	Entity	0	2019	22	Monitoring system	Public and private institutions, local organizations, and enterprises are counted as entities. Governance structures are participatory arrangements bringing entities together to make decisions on CES mechanisms in order to implement adaptive forest management activities. The target is based on at least two entities integrating each governance structure, and at least 11 structures are expected. The number of structures will be updated against the feasibility study.
Outcome 2.2. Strengthening of financial sustainability						
Increased average ratio between the local contribution and funds provided by the GCF for CES mechanisms	Index	0	2019	0.25	Monitoring system	Index calculated from the outset of the CES financing mechanism, as follows: $\sum_{t=0}^{5} subindex_{it} = \frac{\sum_{j=1}^{n} local\ contribution_{ij}}{GCF\ contribution_i}$

[2] Billings, R. F., S. R. Clarke, V. Espino Mendoza, P. Cordón Cabrera, B. Meléndez Figueroa, J. Ramón Campos, and G. Baeza (2004). "Gorgojo descortezador e incendios: una combinación devastadora para los pinares de América Central." *Unasylva* 217: 15-21.

[3] Ilstedt, U., et al. (2016), Intermediate Tree Cover Can Maximize Groundwater Recharge in the Seasonally Dry Tropics, Sci. Rep., 6, 21930.

						Where *j* is the local contributor to the funding mechanism, *i* is the funding mechanism, and *t* is the time from the start of the mechanism to year 5 of the program.
Outcome 2.3. Strengthening of gender considerations						
Increased participation of women in leadership bodies of forest associations	%	24	2019	29	Monitoring system	Baseline is based on the number of participants in operation HO-L1179; value will be updated against the number of program beneficiaries. The target is a 20% increase over the baseline value.

OUTPUTS

Output	Est. cost (US$ millions)	Unit of measurement	Baseline	Base year	Year 1 (Jun20-Jun21)	Year 2 (Jun21-Jun22)	Year 3 (Jun22-Jun23)	Year 4 (Jun23-Jun24)	Year 5 (Jun24-Jun25)	Final target	Means of verification	Comments
Component I. Restoration of forest coverage												
Hectares of privately owned pine forest with restoration process under way	2.89	Hectare	0	2019	0	5,000	5,000	664	0	10,664	Monitoring system and PMU reports	Restoration process under way means that the activities described in the restoration plan have been implemented for at least six months.
Hectares with agroforestry systems implemented	8.13	Hectare	0	2019	0	8,000	12,400	8,000	0	28,400	Monitoring system and PMU reports	Agroforestry system process under way means that the agroforestry parcel has been identified and the land management plan is being implemented.
Component II. Strengthening governance and financial sustainability for adaptive forest management activities												
Hectares of forest where CES mechanisms are being implemented for adaptive forest management activities financed by the program	17.5	Hectare	0	2019	0	94,418	94,418	0	0	188,836	Monitoring system and PMU reports	Hectares with adaptive forest management are those where adaptive forest management projects have begun to be implemented by ecosystem service providers.

Water fund established	1.7	Number	0	2019	0	0	1	0	0	1	Monitoring system and PMU reports	A water fund is a long-term financing mechanism for forest management in prioritized watersheds. A water fund is deemed to be established if it has legal status, a governance and financing structure, and an approved watershed management instrument.
Milestone 1: Water fund feasibility study carried out	1.7	Report	0	2019	0	1	0	0	0	1	PMU reports and supporting technical document	The feasibility study for the target area includes, at minimum, identification of critical areas, diagnostic assessment of key actors, establishment of watershed management measures, and establishment of baseline. It also sets forth the governance and financing structures.
Milestone 2: Specialists from municipalities and national institutions trained	1.7	Number of specialists (number of women in parentheses)	0	2019	0 (0)	30 (6)	20 (4)	0 (0)	0 (0)	50 (10)	PMU reports and training records	Content: governance and administrative issues, planning instruments, and technical considerations of adaptive forest management. Contributes to the crosscutting theme of institutional capacity and rule of law through the indicator of government agencies benefited by projects that strengthen managerial tools to improve public service delivery.
CES mechanisms for adaptive forest management with technical	3.54	Entity	0	2019	0	5	11	11	11	11	Report on technical assistance	Includes technical assistance in adaptive forest management, administrative and financial instruments,

assistance provided												and monitoring and evaluation of adaptive forest management. The number of entities will be updated against the diagnostic assessment.
Milestone 1: Local organizations trained in adaptive forest management[4]	3.54	Organization	0	2019	0	10	30	40	40	40	Report on technical assistance	Includes water councils, cooperatives, and forestry associations The number of organizations will be updated in view of the diagnostic assessment
Equipment provided for organizations executing adaptive forest management projects	0.1	Equipment delivered	0	2019	0	0.05	0.05	0	0	0.1	PMU reports	Includes motorcycles, computers, GPS devices, and furnishings for 11 organizations

[4] Disaggregated by gender.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Honduras
Project number:	HO-L1200/HO-G1252
Name:	Program for the Restoration of Climate-resistant Forests and Forestry for Sustainable Water-related Ecosystem Services
Executing agency:	Ministry of Finance (SEFIN)
Fiduciary team:	Christian Contín, financial management specialist (FMP/CHO) and María Cecilia Del Puerto Correa, procurement specialist (FMP/CHO)

I. EXECUTIVE SUMMARY

1.1 The latest financial management diagnostic assessments in Honduras point to significant progress on adopting international good practices and standards, particularly as regards modernizing the institutional framework and integrating the country's budget, treasury, and accounting systems into the financial management system (SIAFI). This system, however, has obsolete technological infrastructure. Since the government is seeking to implement best practices throughout the public resources management cycle and integrate SIAFI with other systems, it has decided to modernize the financial management of the State with a new SIAFI. This process is in the early stages, and some of the related activities will be supported by the Bank through a new operation that is currently in the design stage.

1.2 As for its public procurement system, Honduras has strengths identified in the 2010 diagnostic assessment based on the Organization for Economic Co-operation and Development's Methodology for Assessing Procurement Systems—particularly in its legal framework, which, for the most part, is aligned with international best practices. Challenges nevertheless remain in terms of achieving the standards that would allow the Bank to use the country system exclusively in the operations it finances. In 2017, the Bank provided support to update the aforementioned diagnostic assessment, which was published in early 2018. While the report found that progress had been made since the previous diagnostic assessment, it was not enough for across-the-board adoption of the country system.

1.3 On 13 March 2019, the Bank's Board of Executive Directors approved the use of subsystems for limited bidding and a framework agreement (document GN-2538-25) through the e-catalogue/procurement by catalog, as set forth in Honduras's country procurement system, known is the Public Procurement System of the Government of Honduras. These processes apply to Bank-financed projects for the procurement of goods, works, and nonconsulting services below the shopping thresholds for Honduras.

1.4 This operation is for a specific investment loan and grant in the amount of US$35 million, of which 69% will be financed with nonreimbursable resources from a Green Climate Fund (GCF) grant. The beneficiary is the Republic of Honduras, which will execute the operation through SEFIN's program management unit (PMU) or another designated unit with technical responsibility of the Honduran Institute of Forestry Conservation and Development,

Protected Areas, and Wildlife (ICF). The PMU will be responsible for leading the program and for fiduciary and administrative matters. To this end, an interagency framework agreement will be signed between SEFIN and the ICF setting forth the duties of each party during program implementation.

II. Fiduciary Context of the Executing Agencies and Execution Mechanisms

2.1 SEFIN's PMU has experience executing Bank-financed projects and a stable, experienced fiduciary team. However, fiduciary management may need to be strengthened in view of the number and complexity of processes. Moreover, its flows and processes may need to be revised.

2.2 In July 2019, an institutional capacity assessment was carried out of SEFIN's PMU and the ICF. The ICF's technical capacity was assessed using the Institutional Capacity Analysis System's self-assessment methodology. In response to the Honduran government's request, the project team leader decided to continue executing the operation through SEFIN's PMU. This decision entails a medium-high risk to the program.

2.3 The following provisions relate to the country systems for financial management, or their equivalent, to be used for this operation.

a. **Budget.** The operation's budget resources will be addressed in the General Budget Act and its general provisions. For financial execution of the funds to be administered by SEFIN's PMU, funds will be allocated annually the PMU from the budget in accordance with the annual planning exercise for the operation's needs.

b. **Treasury.** A special account will be opened at the Central Bank of Honduras for program resources, as will an associated account in the Treasury Single Account.

c. **Accounting and financial reporting.** The executing agency will process payments through SIAFI and will use the UEPEX module to record and issue reports on operations or transactions executed with external financing.

2.4 Honduras's procurement information system, known as HonduCompras, will be used to advertise calls to participate in procurement processes. Procurement processes for goods and services in amounts under the shopping thresholds will use the country systems for private bidding and framework agreements through the e-catalog, provided that the goods or services in question are available in the corresponding catalog. All other processes will be subject to the Bank's procurement policies, and the executing units to be formed will engage staff with extensive experience in using the Bank's procurement policies.

III. Fiduciary Risk Evaluation and Mitigation Actions

3.1 On 8 August 2019, a risk analysis workshop was held, in accordance with the risk management methodology. It identified two medium-high procurement risks associated with potential difficulties in preparing terms of reference and the technical and fiduciary coordination strategy between and within institutions. These risks could have an impact on program timelines.

3.2 The aforementioned risks will be mitigated by hiring consultants with training and experience in the use of the Bank's procurement policies. The liaison protocols between the PMU and the ICF will be reviewed for preparation and approval of technical documents, as well as

approval flows for procurement processes and the signing of contracts within SEFIN. A tracking and monitoring system that address the procurement planning required for the program will be implemented through the procurement plan execution system (SEPA) agreed upon with the Bank or, as appropriate, through the system in effect at the time.

3.3 Effective execution requires the executing agency and the technical entity (ICF) to closely monitor the agreed deadlines, and the ICF will be heavily involved in the development of high-quality technical documents to mitigate any delays. The ICF will also be actively involved in project planning, and these plans will reflect all steps and involved parties so that any bottlenecks may be addressed in a timely manner.

3.4 Financial management of the operation, policies, procedures, and systems will be governed by the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) and related directives.

IV. Considerations for the Special Provisions of Contracts

4.1 The agreements and requirements that should be considered in the special provisions of the loan contract are described below:

4.2 **Exchange rate agreed upon with executing agencies for accounting purposes.** The operation will use the exchange rate in effect on the day that the beneficiary, the executing agency, or any other person or entity authorized to incur expenditures makes the corresponding payment to a contractor or provider.

4.3 **Justification of expenditures.** The percentage of advances requiring justification was lowered to 70% for the executing agency in view of the complexity of this operation (entailing coordination and execution through two different institutions, as is the case in the operation currently in execution), the usual delays in the government's approval and annual budgeting processes, and the connection between this operation and its GCF-financed counterpart.

4.4 **Financial statements and other audited reports.** The executing agency will submit the program's audited financial statements on an annual basis in accordance with the terms required by the Bank. The program will select a Bank-eligible independent auditing firm or, if no such firm is available, will engage the Tribunal Superior de Cuentas [Office of the Auditor General]. The audited financial statements will be submitted within 120 days after the end of each fiscal year, and the final statements will be submitted within 120 days after the date of the last disbursement. Additional arrangements for financial monitoring of the operation in compliance with GCF requirements may be included at the Bank's request.

V. Agreements and Requirements for Procurement Execution

5.1 The fiduciary agreements and requirements for procurement apply to all procurement processes related to the program.

A. Procurement execution

5.2 The executing agency, acting through the PMU in close technical coordination with the ICF, will carry out procurement-related planning, selection, supervision, and acceptance in accordance with the Bank's procurement policies (documents GN-2349-9 and GN-2350-9), except as provided in paragraph 2.4 of this annex and the operation's procurement plan, which contains detailed information on: (i) contracts for works, goods, and consulting

services needed to fulfill program objectives; (ii) proposed methods for the procurement of goods and the selection of consultants; and (iii) Bank procedures for the review of each procurement process.

5.3 For procurement planning, the PMU will update the procurement plan on an annual basis or as needed, using the procurement plan execution and monitoring system selected by the Bank for planning activities and reporting progress. Any change to the procurement plan will be submitted to the Bank for approval. The PMU, in close cooperation with the ICF, will reach agreement with the Bank on a procurement plan for the first 18 months of the program.

5.4 **Procurement of works, goods, and nonconsulting services.** Works, goods, and nonconsulting services[1] generated under the program and subject to international competitive bidding (ICB) will be procured using the standard bidding documents issued by the Bank. Procurement items subject to national competitive bidding (NCB) will use national bidding documents agreed upon with the Bank and will be posted on the website of the National Office for Public Procurement (ONACE).

5.5 Bids for the procurement of plants, fertilizers, and agrochemical inputs, despite their estimated amounts (US$1,577,850 and US$1,051,900, respectively) will use NCB in accordance with document GN-2349-9, paragraph 3.3, since the inputs are to be provided at different times throughout the program and in scattered, sometimes hard-to-reach locations that will require a logistical effort that will not likely appeal to foreign companies, aside from the difficulty of importing plants.

5.6 **Selection and contracting of consultants.** Consulting services under the program will be procured using the standard request for proposals issued by, or agreed upon with, the Bank.

5.7 **Selection of individual consultants.** At the executing agencies' discretion, procurement processes for individual consultants may be announced through local or international advertising to develop a short list of qualified individuals if no known qualified consultants are available for invitation. Consultants hired to assist the executing agencies during the operation may be engaged for the entire execution period with the no objection to the competitive initial-selection process, without the need to obtain a no objection for each budget year even if more than one contract is signed in a budget year. This provision does not apply to a situation in which a performance evaluation leads to termination of the consulting contract, in which case the new procurement process will require another no objection.

5.8 **Retroactive financing.** No retroactive financing is anticipated for this operation.

5.9 **National preference** does not apply.

5.10 **Other.** The program Operations Manual will include detailed information on the program execution mechanism and instruments, as well as each executing agency's internal approval processes, including timelines and responsible parties. This is intended to bring clarity and certainty to processes and timely monitoring.

5.11 **Thresholds**. The thresholds for ICB and short lists of international consultants will be posted to the Bank's procurement portal for the executing agencies to consult. Under these thresholds, the selection method will depend on the complexity and nature of the procurement process and will be specified in the procurement plan approved by the Bank.

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[1] Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9), paragraph 1.1: Nonconsulting services are treated as goods.

B. Main procurement items

5.12 The executing agency, alongside the ICF, will be responsible for preparing the procurement plan.[2] The Bank's procurement specialist will provide assistance to ensure that procedures are appropriate in accordance with the Bank's procurement policies.[3] The operation's main procurement items are listed below:

Table 1. Main procurement items

Activity	Procurement type	Estimated date	Estimated amount (US$)
Consulting firms[4]			
Technical assistance for restoration of forest cover	QCBS	1st half of 2020	450,426
Technical assistance for agroforestry systems	QCBS	2nd half of 2020	2,453,685
Local technical assistance (9 firms)	QCBS	2nd half of 2020	2,840,000
Goods and nonconsulting services			
Procurement of plants	NCB	1st half of 2020	1,577,850
Procurement of fertilizers and agrochemicals	NCB	2nd half of 2020	1,051,900

* See required link 4 for the procurement plan for the first 18 months. QCBS: Quality- and cost-based selection.

C. Procurement supervision

5.13 In accordance with the fiduciary risk analysis of procurement, a combination of ex post and ex ante supervision will be used as described in the procurement plan.

5.14 Any single-source selection of consulting services, whether provided by consulting firms or individual consultants, and any direct procurement of nonconsulting services, goods, or works will be subject to ex ante supervision by the Bank, regardless of the contract amount. Any re-contracting or contract extensions for an individual consultant will require no further no objection once the first contract resulting from a competitive process has received a no objection.

D. Special provisions

5.15 **Measures to reduce the likelihood of corruption.** See documents GN-2349-9 and GN-2350-9 for prohibited practices (lists of ineligible companies and individuals from multilateral organizations).

5.16 **Other special procedures.** The Bank may, at its discretion, change the procurement supervision method on the basis of experience in execution, any updates to the institutional capacity assessment, or any fiduciary visits.

E. Records and files

5.17 The PMU will use established procedures to maintain files and original supporting documentation for procurement processes that use program resources, as well as to keep

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2 Document GN-2349-9, paragraph 1.16, and document GN-2350-9, paragraph 1.23: "The borrower shall prepare and, before loan negotiations, furnish to the Bank for its approval, a procurement plan acceptable to the for at least the first 18 months."

3 See the following guidelines for preparing and implementing the procurement plan.

4 For consulting services, the short list consists of firms of different nationalities. See document GN-2350-9, paragraph 2.6.

records. The Operations Manual will clearly document SEFIN's internal workflows, the workflows supported by the ICF, and the separation of responsibilities.

VI. Financial Management Agreements and Requirements

6.1 **Programming and budget.** The budgetary allocation of program resources will be reviewed on an annual basis.

6.2 **Accounting and information systems**. The SIAFI/UEPEX module will be used for Bank-financed financial and accounting reports. Honduras is in the process of implementing the International Public Sector Accounting Standards, in accordance with Article 96, subparagraph 1 of the Budget Act, which requires accounting plans and manuals to be consistent with the International Public Sector Accounting Standards.

6.3 **Disbursements and cash flow.** Disbursements will be primarily in the form of advances of funds, supported by financial programming for a period not to exceed six months. The executing agency will have an exclusive bank account for project resources (a special account at the Central Bank of Honduras in the program's name, and funds executed by the Treasury Single Account with lines in dollars and local currency). Financial planning and renderings of accounts will be performed in a consistent manner throughout the program.

6.4 **Internal control and internal auditing.** The Bank has supported the National Office for Comprehensive Development of Internal Control at Public Institutions in some interventions to enhance the internal control environment at entities responsible for Bank-financed operations in Honduras. In this particular case, the PMU will perform its fiduciary duties within the framework of Bank policies for the operations it finances and in accordance with the executing agency's current Operating Regulations.

6.5 **External auditing.** The Bank is supporting the Board of Auditors so that it may audit some Bank-financed operations. The Board of Auditors will be included as an optional provider of external audits as part of this operation.

6.6 **Financial supervision plan**. The Bank will supervise the financial management of the program, monitoring the executing agency's efforts to address any observations and findings in external audits. The Bank will also conduct supervision visits and meetings to monitor the implementation of recommendations, as well as to monitor fiduciary risks.

PROGRAM FOR THE RESTORATION OF CLIMATE-RESILIENT FORESTS AND FORESTRY FOR SUSTAINABLE WATER-RELATED ECOSYSTEM SERVICES

HO-L1200
HO-G1252

CERTIFICATION

HO-L1200	**US$10,737,349**
HO-G1252	**US$24,262,651**
Total:	**US$35,000,000**

The Grants and Co-Financing Management Unit (ORP/GCM) received the commitment of the **Green Climate Fund (GRN)** for up to **US$35,000,000** as confirmed by the Fund Coordinator, Brady Martin (ORP/GCM), October 7, 2019. An operation financed by the GRN receives a conditional certification given the circumstances of the Accreditation Master Agreement between GRN and the IDB. As such, a commitment by the GRN does not have validity until the Funded Activity Agreement (FAA) between the IDB and the GRN is agreed upon and signed for an operation. Therefore, this certification will remain conditional until the FAA is signed and effective.

Certified by: ORIGINAL SIGNED 11/08/2019

Sonia M. Rivera
Chief
Grants and Co-Financing Management Unit
ORP/GCM

Date

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Honduras. Loan ____/__-HO to the Republic of Honduras
Program for the Restoration of Climate-resilient Forests
and Forestry for Sustainable Water-related
Ecosystem Services

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, acting as Accredited Entity of the Green Climate Fund ("GCF"), to enter into such contract or contracts as may be necessary with the Republic of Honduras, as borrower, for the purpose of granting a financing to cooperate in the execution of the Program for the Restoration of Climate-resilient Forests and Forestry for Sustainable Water-related Ecosystem Services (the "Program"). Such financing will be for the amount of up to US$10,737,349, from the resources of the GCF, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements with the GCF as may be necessary to receive and administer resources from the GCF for the purposes of the Program and to adopt any other measures as may be pertinent for execution of said agreement or agreements.

3. That the authorization granted in paragraph 1 above will be effective once the corresponding agreement or agreements to which reference is made in paragraph 2 of this Resolution have entered into effect.

(Adopted on ___ _____ 2019)

LEG/SGO/CID/EZSHARE-269233204-12299
HO-L1200; HO-G1252

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Honduras. Nonreimbursable Investment Financing GRT/__-____-HO
Program for the Restoration of Climate-resilient Forests
and Forestry for Sustainable Water-related
Ecosystem Services

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, acting as Accredited Entity of the Green Climate Fund ("GCF"), to enter into such agreement or agreements as may be necessary with the Republic of Honduras, as beneficiary, for the purpose of granting it a nonreimbursable investment financing for a sum of up to US$24,262,651, chargeable to the resources of the GCF, and to adopt any other measures as may be pertinent for the execution of the project proposal contained in document PR-____ (the "Program").

2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements with the GCF as may be necessary to receive and administer resources from the GCF for the purposes of the Program and to adopt any other measures as may be pertinent for execution of said agreement or agreements.

3. That the authorization granted in paragraph 1 above will be effective once the corresponding agreement or agreements to which reference is made in paragraph 2 of this Resolution have entered into effect.

(Adopted on ___ _____ 2019)

LEG/SGO/CID/EZSHARE-269233204-12300
HO-L1200; HO-G1252